

EDWARD H. KUBO JR. (2499)  
United States Attorney  
District of Hawaii

EDRIC M. CHING (6697)  
Assistant U. S. Attorney  
Room 6-100, PJKK Federal Building  
300 Ala Moana Blvd.  
Honolulu, Hawaii 96850  
Telephone: (808) 541-2850  
Facsimile: (808) 541-2958  
E-mail: edric.ching@usdoj.gov

JENNIFER K. BROWN  
Cal. No. 224041  
Trial Attorney, Tax Division  
U.S. Department of Justice  
P.O. Box 7238  
Ben Franklin Station  
Washington, D.C. 20044  
Telephone: (202) 307-0401  
Facsimile: (202) 514-6770  
E-mail: Jennifer.K.Brown@usdoj.gov

FILED IN THE  
UNITED STATES DISTRICT COURT  
DISTRICT OF HAWAII

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at 11 o'clock and 47 min.  
WALTER A. Y. H. CHINN, CLERK

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF HAWAII

UNITED STATES OF AMERICA, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
LOU ANN PALERMINI MOSER, and )  
CARLA NEWMAN, )  
d/b/a ACCOUNTING SERVICES )  
TRUST, )  
 )  
Defendants. )

CIVIL NO. **CV 05-00262 ACK**  
COMPLAINT FOR PERMANENT  
INJUNCTION AND OTHER RELIEF;  
SUMMONS

**BMK**

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

Plaintiff, United States of America, for its Complaint  
states as follows:

### **Nature of Action**

1. This action for injunctive relief is brought at the request of a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to §§ 7402, 7407 and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.) (I.R.C.).

### **Jurisdiction and Venue**

2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and by I.R.C. §§ 7402(a), 7407 and 7408.

### **Defendants**

3. Defendants Lou Ann Palermini Moser and Carla Newman are d/b/a Accounting Services Trust, with a business address of 549 Ka'awakea Road, Kailua, HI 96734.

4. Defendant Lou Ann Palermini Moser resides at 111A Hekili St., No. 425, Kailua, HI 96734.

5. Defendant Carla Newman has a business address of 1247 Kailua Road, No. F2, Kailua, HI 96734.

### **Facts Common to All Counts**

6. Moser, individually and through Accounting Services Trust (AST), organizes and sells tax fraud schemes. Moser and Newman, individually and through AST, prepare federal income tax returns claiming inflated or fabricated deductions in order to generate unlawful tax refunds for their customers.

7. Moser holds herself out as a certified public accountant and a tax attorney. On information and belief, she is neither. Moser is neither licensed to practice law in Hawaii, nor licensed as a certified public accountant in Hawaii.

8. Newman, Moser's assistant, handles the electronic filing of customers' federal-income-tax returns.

9. Moser and Newman prepare individual and S-Corporation federal income tax returns for their customers that falsely claim non-deductible personal expenses as deductible business expenses.

10. Defendants prepare these returns based on one of two tax fraud schemes: (1) Fabrication of deductions for military expenses, or (2) Using S-Corporations as a means to improperly claim tax deductions for non-deductible personal expenses.

11. Moser often does not sign returns she prepares. She uses TurboTax software for individuals to prepare the returns and has Newman electronically file the returns falsely indicating that they are "self-prepared" returns.

12. Moser provides customers with "copies" of their returns. But, the "copies" provided to the customers are different from the returns she electronically files on their behalf. The electronically filed returns reflect larger refunds than the "copies" Moser provides to the customers. This provides Moser with the opportunity to retain part of the tax refund, since Moser has her customers' refunds directly deposited into Moser's

bank account, and she in turn writes checks to her customers for their "income tax refund" but for the lesser amount reflected on the customers' "copy" of the return.

13. The defendants' customers pay approximately \$150 dollars for each return filed, plus a \$40 electronic filing fee. On information and belief, customers pay \$500 to defendants to set up S-Corporations on their behalf.

#### **The Military Deductions Scheme**

14. Moser claims that she is an expert in deductions for military expenses and actively markets her return-preparation business to military personnel. In her sales pitches to enlisted personnel she mentions the names of customers who are officers.

15. Moser has claimed to have 600 military customers.

16. Moser promotes a tax fraud scheme specifically targeted at her military customers. This scheme involves falsely advising military customers that they are entitled to federal income tax deductions not available to others, and preparing tax returns that unlawfully claim the improper deductions.

17. Moser falsely advises customers that because they are in the military they are entitled to take the following (amongst other) "standard" deductions for personal expenses:

- \$416 for haircuts
- The cost of a "basic plan" for a cell phone
- \$80 for Battle Dress Uniforms
- \$80 for running shoes
- \$600 for Roadrunner internet service; \$340 for AOL internet service

- \$32 for each day spent "in the field"
- \$88 dollars per day for each day spent in schools such as ranger school
- \$100 for CamelBak hydration gear
- \$100 for Gerber/Leatherman knives
- \$25 for canteens
- \$120 for Kiwi boot and shoe polish
- \$100 for sleeping bags
- \$15 and up for sunglasses

18. Moser further advises her military customers that they do not need receipts to claim these purported deductions because of the supposed availability of the "standard" deduction amounts, as listed above.

19. Moser gives each military customer a worksheet that inquires about items the customer has purchased or used over the past year, which specifically includes, *inter alia*, the items listed in paragraph 17 above. This worksheet also lists the supposed "standard deduction" amounts for those items, as listed above.

20. Moser uses the customer's responses to the worksheet described in paragraph 19 to prepare a federal income tax return on their behalf.

21. The federal income tax returns Moser prepares for military customers include improper deductions for items checked off on the worksheet.

22. Moser's customers are not entitled to tax deductions for these items because they are non-deductible personal expenses, or

because the military has provided the item(s) to the soldier or officer, and thus no actual expense was incurred.

#### **The S-Corporation Scheme**

23. Moser falsely tells non-military customers they can use S-Corporations to claim non-deductible personal expenses as deductible business expenses. She tells these customers that they can use an S-Corporation to deduct their home mortgage payments, homeowner's insurance, and residential utilities as business expenses.

24. On information and belief, Moser told one customer that he "could give money to each of his four sons and take it as a business deduction" by using Moser's S-Corporation scheme. She told this customer that the "loss" for these payments to his sons would flow through to his income tax return.

25. Moser tells these customers that she will set up an S-Corporation for them. Moser does set up the corporations and file S-Corporation tax returns for some of these customers. But some customers found that Moser had not set up corporations, or filed S-Corporation returns, as she had said she would.

26. Moser also assisted at least one customer who owned a business in evading payment of federal employment taxes. On information and belief, this customer and Moser together informed the customer's managers that they would now be S-Corporations instead of employees. Moser set up S-Corporations for them, and

the customer stopped withholding and paying over federal employment taxes.

**Additional Interference with Federal-Tax-Law Enforcement**

27. Moser advises her customers to obstruct and delay IRS audits. Moser told a customer to delay an already scheduled audit to a date after her husband's military deployment, and then falsely tell the IRS that she had receipts to substantiate her deductions, but that the receipts were with her husband in Afghanistan. On information and belief, Moser told another customer to schedule an IRS audit as far in the future as possible, and then, on the day of the appointment, call the revenue agent, falsely claim that the customer's children were sick, and reschedule again as far in the future as possible.

28. Moser has taken steps to hide her activities from the Government. In an attempt to stop the IRS from identifying and auditing her customers, she has illegally stopped signing the returns she prepares for others as the return preparer. Moser uses TurboTax for individuals to prepare the returns, and has Carla Newman electronically file them falsely indicating they were "self-prepared" by the customer.

29. Moser has sold her schemes to hundreds of customers, and she and Newman have filed hundreds of returns in conjunction with the schemes. The IRS estimates the current tax loss to the

Treasury as a result of these tax fraud schemes at over \$4 million for the tax year 2003 alone.

30. Moser continues to promote these tax fraud schemes. Newman continues to file income tax returns based on Moser's schemes, and assist Moser in every aspect of her return-preparation business.

**Count I:**

**Injunction under I.R.C. § 7408 for promoting a tax fraud tax scheme and aiding and abetting understatements of tax liability**

31. The United States incorporates by reference the allegations in paragraphs 1 through 30.

32. I.R.C. § 7408 authorizes a court to enjoin persons who have engaged in any conduct subject to penalty under I.R.C. §§ 6700 or 6701 if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

33. I.R.C. § 6700 penalizes any person who organizes or sells a plan or arrangement and makes, in connection with organizing or selling the plan or arrangement, a statement regarding the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit that the person knows or has reason to know is false or fraudulent as to any material matter.

34. I.R.C. § 6701 imposes a penalty on any person who prepares, presents, or assists in preparing or presenting a return, affidavit, or other document that the person knows or has



reason to believe will be used in connection with any material matter arising under the internal revenue laws, and that the person knows would (if used) result in an understatement of another person's tax liability.

35. Moser organizes and sells tax fraud schemes. In organizing and selling these schemes, she makes false and fraudulent statements regarding the tax benefits available to customers. She knows or has reason to know that these statements are false and fraudulent statements within the meaning of I.R.C. § 6700.

36. Moser and Newman prepare, present, and assist in preparing and presenting federal income tax returns, amended federal income tax returns, and other documents that they know or have reason to know will be used in connection with material matters arising under the internal revenue laws.

37. Moser and Newman know that these returns and other documents will (if used) result in understatements of their customers' tax liabilities.

38. If they are not enjoined, Moser is likely to continue to organize and sell tax fraud schemes, and Moser and Newman are likely to continue to prepare and present federal income tax returns and amended returns understating their customers' tax liabilities. The IRS asserted penalties against Moser in 1992 and 1993 for her preparation of false and fraudulent returns.

Despite this, Moser continues to prepare federal income tax returns with false and fabricated deductions.

39. The United States is entitled to an injunction under I.R.C. § 7408 to prevent the defendants from engaging in conduct subject to penalty under the Internal Revenue Code.

**Count II:  
Injunction under I.R.C. § 7407**

40. The United States incorporates by reference the allegations in paragraphs 1 through 39.

41. I.R.C. § 7407 authorizes a court to enjoin a person from acting as an income tax return preparer if the court finds that the return preparer has continually or repeatedly:

- a. engaged in conduct subject to penalty under I.R.C. § 6694, which penalizes a return preparer who prepares or submits a return that contains an unrealistic position, or I.R.C. § 6695, which penalizes a return preparer who fails to sign returns, include their identifying number, keep a list of clients, or turn over the client list to the IRS upon request;
- b. misrepresented his eligibility to practice before the IRS, or otherwise misrepresented his experience or education as a return preparer;
- c. guaranteed the payment of any tax refund or allowance of any credit; or
- d. engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the Internal Revenue laws;

and the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct and that a narrower injunction (i.e., one prohibiting only specific conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws.

42. Moser and Newman are federal income tax return preparers within the meaning of I.R.C. § 7407.

43. Moser and Newman, individually and through AST, have prepared on behalf of their customers numerous federal income tax returns that understate the customer's federal income-tax liability based on Moser's tax fraud schemes. Moser and Newman have also prepared on behalf of their customers numerous amended federal income tax returns improperly requesting refunds of federal income taxes paid for multiple tax years based on Moser's tax fraud schemes. Additionally, defendants have prepared fraudulent S corporation income tax returns for customers participating in the sham S-Corporation scheme, all of which contained unrealistic positions in violation of I.R.C. § 6694.

44. Moser and Newman fail to sign, and fail to provide identifying numbers on, the federal income tax returns they prepare and submit to the IRS on behalf of their customers.

45. Moser has misrepresented herself to customers as an attorney and an accountant.

46. If defendants are not enjoined under I.R.C. § 7407 from preparing or assisting in the preparation of tax returns and related documents, they are likely to continue preparing false and fraudulent federal-income-tax returns, and interfering with the internal revenue laws.

**Count III**

**Injunction under I.R.C. 7402(a) for Unlawful Interference  
with Enforcement of the Internal Revenue Laws**

47. The United States incorporates by reference the allegations in paragraphs 1 through 46.

48. I.R.C. § 7402 authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

49. Defendants, through the actions described above, have engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

50. Defendants' conduct results in irreparable harm to the United States. Defendants' conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

51. If defendants are not enjoined, they are likely to continue to engage in conduct that interferes with the enforcement of the internal revenue laws.

52. The United States will suffer irreparable injury if the defendants are not enjoined. These injuries substantially

outweigh the harm to the defendants of requiring them to obey the federal tax laws and barring them from acting as tax-return preparers.

53. An injunction that stops defendants' illegal activity is in the public interest.

54. An injunction under § 7402(a) is necessary and appropriate.

55. Thus, the United States is entitled to injunctive relief under I.R.C. § 7402(a).

**The United States requests the following relief:**

A. That the Court find that Moser has engaged in conduct subject to penalty under I.R.C. § 6700, and that Moser and Newman, individually and together, have engaged in conduct subject to penalty under I.R.C. § 6701, and that injunctive relief is therefore appropriate under I.R.C. § 7408 to prevent defendants, and any business entity through which either or both may operate, and anyone acting in concert with either or both of them, from engaging in further such conduct or any other conduct subject to penalty under the Internal Revenue Code;

B. That the Court find that Moser and Newman, individually and together, have engaged in conduct subject to penalty under I.R.C. §§ 6694 and 6695, and that injunctive relief is appropriate under I.R.C. § 7407 to prevent defendants, any business entity through which either or both may operate, and

anyone acting in concert with either or both of them, from engaging in further such conduct or from preparing federal income tax returns for others;

C. That the Court find that Moser and Newman have engaged in conduct that interferes with the internal revenue laws, and that injunctive relief against them, any business entity through which either or both of them operate, and anyone acting in concert with either or both of them, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under I.R.C. § 7402(a);

D. That the Court, pursuant to I.R.C. §§ 7408, 7407 and 7402(a), enter a permanent injunction prohibiting Moser and Newman, individually, together and doing business as or through any entity, and anyone acting in concert with them, from directly or indirectly:

- (a) Organizing, promoting or selling any tax shelter, plan or arrangement that advises or encourages taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (b) Engaging in activity subject to penalty under I.R.C. § 6700, including selling, organizing or assisting in the organization of a partnership, other entity, any investment plan or arrangement, or other plan or arrangement about which the defendant has made a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by reason of holding an interest in the entity or participating in the plan or arrangement which the defendant knows or

has reason to know is false or fraudulent as to a material matter;

- (c) Engaging in activity subject to penalty under I.R.C. § 6701, including advising with respect to, preparing, or assisting in the preparation of a document related to a material matter under the internal revenue laws that includes a position they know will result in an understatement of tax liability;
- (d) Engaging in activity subject to penalty under I.R.C. § 6694, including preparing federal tax returns that willfully or recklessly understate federal income-tax liability;
- (e) Engaging in any activity subject to penalty under any provision of the Internal Revenue Code;
- (f) Making false representations that:
  - (1) persons may use S-Corporations to convert personal expenses to business expenses, thereby reducing or eliminating their income tax liability;
  - (2) Military personnel are entitled to deductions for personal expenses incurred as a result of being employed by the military;
  - (3) Military personnel are entitled to deductions for expenses incurred as a result of being employed by the military that were reimbursed by the military.
- (g) Selling or organizing the set up of any type of corporation, trust, limited liability company, or arrangement of business entities which advocates or facilitates non-compliance with the federal tax laws;
- (h) Preparing or assisting in the preparation of federal tax returns for any other person or entity;
- (i) Engaging in any other activity subject to penalty under I.R.C. §§ 6700, 6701, 6694 or 6695;

- (j) Advising or assisting others to delay and/or obstruct IRS investigations and examinations; and
- (k) Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

E. That this Court, pursuant to I.R.C. § 7402(a), enter a permanent injunction requiring defendants, within 15 days of the Court's injunction order, to provide to the United States the names, addresses, e-mail addresses, and social security numbers or tax identification numbers, and telephone numbers of all persons for whom they have prepared federal-income-tax returns;

F. That this Court, pursuant to I.R.C. § 7402(a), enter a permanent injunction requiring the defendants to contact, by means of a letter to be approved by the United States and by the Court, all persons all persons for whom they prepared federal income tax returns, and inform them of the Court's findings concerning the falsity of defendants' representations, attaching a copy of the injunction against defendants, and to file with the Court, within 15 days of the date of the injunction order, a certification that they have done so;

G. That this Court, pursuant to I.R.C. §§ 7402(a) enter an injunction prohibiting Moser from representing herself to be an attorney or an accountant;

H. That this Court order that the United States may engage in post-judgment discovery to ensure compliance with the permanent injunction;



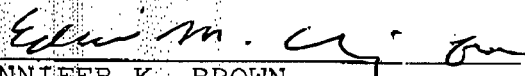
I. That this Court shall retain jurisdiction over this action for purpose of implementing and enforcing the final judgment and all additional decrees and orders necessary and appropriate to the public interest; and

J. That this Court grant the United States such other and further relief, including its costs, as is just and equitable.

DATED: April 13, 2005, at Honolulu, Hawaii.

Respectfully submitted,

EDWARD H. KUBO, JR.  
United States Attorney  
District of Hawaii  
EDRIC M. CHING  
Assistant U.S. Attorney

  
JENNIFER K. BROWN  
Trial Attorney, Tax Division  
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